

LOCAL ORGANIZATIONS IN DEVELOPMENT: BACKGROUND STUDY

EXECUTIVE SUMMARY

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INTRODUCTION

In 1984, USAID issued a policy paper entitled *Local Organizations in Development*, which, at the time, was groundbreaking work on the emerging realm of local organizations (LO) and how donors could work with them. To address the many changes that have taken place, USAID commissioned a research effort to update the state-of-the-art since 1984. There are three documents resulting from the study: Literature Review and Works Cited (hereinafter referred to as the Literature Review), Interview Analysis Report and Synthesis Paper.

For the purposes of this study, a local organization is defined as any group, association and organization that is sub-national; it can be private or public (e.g., a branch of a local government), for-profit or non-profit, formal or informal, registered or not. Since the 1984 USAID policy paper, the literature and development experience have developed new areas of thinking or deepened existing areas such as democratic governance, civil society and advocacy, decentralization, partnerships and social capital. These concepts, explored and deepened by development theorists, planners and practitioners since 1984, were the subject of the Literature Review.

Interviews were held with USAID stakeholders and non-profit practitioners of local development as a means of extending the research conducted as a part of the literature review. The Interview Analysis Report presents the views of selected people interviewed thus providing supplementary information and perspectives on the importance of local organizations in development in the context of USAID's overall strategic goals.

The following key areas and their impact on the subject of local organizations in development were covered in the study:

- Participation
- Civil society
- Decentralization
- Enabling environment
- Social capital
- Conflict prevention
- Partnerships
- Poverty reduction and gender equality
- Limitations of local organizations

These particular topics accounts for most of the changes in development theory and the implications

for assistance policies. In 1984, concepts of social capital, democratic governance, civil society and advocacy, decentralization and partnerships, were either not yet in the lexicon of development theory or at the early stages of thought. These concepts, explored and deepened by development theorists, planners and practitioners since 1984, are addressed at length in the Literature Review. Both documents focus primarily on policy issues. However, a separate annex addressing important operational issues is included in the Literature Review.

PRINCIPAL FINDINGS: LITERATURE REVIEW

1. Local organizations in development are an increasing focus of attention for the following reasons:

- Experience demonstrates that government-to-government assistance programs alone have been insufficient to achieve the objectives of broad-based, sustainable economic and social development. Addressing only the formal "enabling environment" as a top-down approach with the central government must be balanced with direct support to the non-governmental sector.
- Democratic governments, donors and academics universally endorse participation as a key objective. Participatory local organizations and the role of those organizations in the process of decentralization are the keys to building democratic societies with citizens capable of identifying and addressing their problems, such as poverty.
- Participatory development requires a mix of donor support to both the public and private sectors at both the national and sub-national levels. "Public" includes both national government ministries and agencies and sub-national governmental bodies, including local government. "Private" is civil society and non-governmental organizations that are both for-profit and non-profit.

2. Development of local government and civil society has converged in time, geography and investment of effort.

- The evidence reveals a shift in the perception of political leaders and Non Governmental Organization (NGO) leaders *vis-à-vis* one another. Historically there has been an antagonistic relationship between NGOs and local and national governments. However, in some countries this antagonism has evolved into a collaborative, problem-solving effort, particularly where governments have become democratic and participatory. However, in those countries where local elections have not taken place, or where civil society has not yet developed, this convergence has not emerged. Nevertheless, these findings indicate goals and objectives for programs as well as a vision for policy.
 - In countries where this convergence has been noted, there are examples of local NGO leaders, once the democratic process takes place, becoming locally elected officials who cement the relationship between civil society and government.
 - The potential synergy from combining participation and decentralization objectives and programs is significant. The two concepts are mutually supportive, meaning that decentralization without adequate participation of citizens is meaningless, while participation is thwarted if government services are not devolved so that local organizations (NGOs and governmental organizations, GOs) can effectively participate in establishing the agenda, priorities and responsibility for those services.
 - Donors now see the two as parts of a whole, often combining their programming in an integrated manner. Indeed, the review of cases from Latin America, Africa and Asia shows that such programs are integrating publicly elected bodies that have political legitimacy with private organizations that have needed expertise to form a network of linkages which enhance the local problem-solving capacity as well as enhance good governance practices.
- ## **3. The creation of an appropriate enabling environment conducive to LO development is crucial.**

- The concept “enabling environment” goes far beyond the concept of legislation, law and registration facilities so that NGOs can become formal organizations; the enabling environment encompasses the creation of opportunity and structures so that local organizations can engage each other and government agencies at all levels, and play important roles in problem solving and the provision of services. Donors support the enabling environment in such areas as decentralization, democratic governance, natural resource management, conflict prevention and privatization.
- Donors are in agreement over the importance of an appropriate enabling environment for the fostering of civil society, NGOs and other local organizations. Most have supported the worldwide trend towards decentralization, which has its roots in the growing importance accorded to participation, the origins of which can be traced back over 20 years.

PRINCIPAL FINDINGS: THE INTERVIEWS

1. Importance of a Local Organization Policy

People interviewed unanimously agreed that USAID policy should continue to vigorously support local organizations in development. Those interviewed from the regional geographic bureaus were particularly supportive of this. All acknowledged that civil society is one of the pillars of USAID strategy, and local organizations are the basic building block of civil society. Therefore, a policy of support is both logical and necessary. Non-USAID persons strongly believed that the USAID structure does not allow full participation and involvement of “end users,” meaning the beneficiaries of grassroots local organizations in development.

2. Budget Allocations and Earmarking More Important than Policy

Many of the USAID persons interviewed expressed in strong terms that program choices were functions not so much of development policy but of the budget allocation and the earmarking process which drives most programming decisions. Interviewees from the regional bureaus were less concerned with categories and definitions of local organizations than those from support or technical bureaus, who raised more definitional questions, stating that one cannot define policy without first defining what LOs are or are not. For purposes of consistency during the interviews, “local

organization in development” was defined as any sub-national organization, be it public (local government and local administration), private (for-profit and non-profit) that aims at identifying and solving problems and providing services.

3. New Policy Directions

Most interviewees did not seem to have strong views on this, or at least have a variety of ideas to offer. In general, the responses were that for any USAID policy to matter, it has to be promoted seriously from the top. A strong, clear message from the Administrator to emphasize the role of LOs and Civil Society Organizations (CSO) in their strategies and program development is needed and would be very important. Beyond this, the Agency has to get word to contracting officers to support such a policy and not be so restrictive in the rigid application of fitness standards to indigenous NGOs.¹ They suggested two more measures: Amend the ADS guidance to make this clear; and include more precise guidance in the training courses offered to contracts officers. Operating units and other USAID offices function more smoothly if they are granted flexibility in applying policy guidance rather than being subjected to new reporting requirements. Therefore, operational guidance is much more useful than dictates.

A new policy articulation should also caution operating units in choosing LOs very carefully. Many small CSOs can easily become so overwhelmed by donor assistance that the relationship destroys them. In some cases, operating units should avoid direct assistance to LOs and instead work with national or sub-national umbrella groups that manage programs of assistance to the local organizations.

RECOMMENDATIONS FOR REVISION OF POLICY AND PROGRAMMING GUIDANCE ON LOCAL ORGANIZATIONS IN DEVELOPMENT

1. USAID should make explicit its policy of support to local organizations and their linkages as an end in themselves as a development strategy and objective.

This policy will result in the creation of more diverse communities with greater freedom of expression, access to information, participation in debate, and

greater problem-solving capacity. *Enhancing social capital should be a specific USAID policy objective as an end in itself* as long as the concept is fully understood and the other policy recommendations included in the literature review are seen as part of the concept and its promotion.

To overcome limitations of local organizations, a modification in the USAID policy would be to *increase linkages in order to strengthen local problem-solving capacity as well as create and support the enabling environment for participation*. Networks or structures of linkages form the environment for integrating civil society and local government efforts.

USAID (and all donors) should understand and assess the basic structural variables of organizations and communities to identify the best policies for assisting the most appropriate organizations.

PARTICIPATION

2. USAID should encourage a strategic focus on participation.

USAID should encourage a strategic focus on participation for three reasons. Participation reinforces local empowerment through enhanced linkages and networks among organizations to increase efficiency and impact (social capital). It also supports democratization through civil society and decentralization, with citizens becoming more capable of identifying and addressing their problems, such as the needs of the most impoverished and marginalized populations. In addition, participation ensures a better response to demands from the grassroots population.

A USAID policy to develop and enhance the linkages and networking aspects of local organizations, both private and public, will promote broader and more representative membership, and improve their problem-solving skills. The policy with regard to local government and non-government linkages should have as a vision the convergence of these parts of the whole for good governance. Participation and social capital improve civil society and local government.

ENABLING ENVIRONMENT AND CIVIL SOCIETY

3. USAID should recognize that donor support towards an appropriate enabling

¹ This is a reflection of views expressed in interviews with USAID program officials. It does not necessarily reflect the views of contracting officers.

environment for the fostering of civil society (NGOs and other CSOs) is critical.

Strengthening advocacy organizations should be carefully balanced with enabling local governments to carry out the decentralization reforms. In this way advocacy demands will not overwhelm the capacity of services to respond to demand and help address locally identified problems.

An important policy consideration is to build programs of local resource mobilization into decentralization strategies. USAID has accumulated considerable experience with decentralization, and the success of some programs in addressing local resource mobilization objectives can be replicated elsewhere. Examples in Indonesia, Senegal and Latin America provide guidance.

CONFLICT PREVENTION

- 4. USAID programs of support to local organizations should carefully analyze the possible negative effect of exacerbating the potential for conflict by conducting a vulnerability analysis of the organizations targeted for assistance.**

While considering the above, careful inclusion of organizations and marginalized citizens in the process of decentralization and local government reform will help reduce alienation and may build linkages between citizens, hence increasing social capital as well as problem-solving capacity. This policy of inclusion will contribute to conflict prevention, especially if advocacy and enabling are balanced.

PARTNERSHIPS

- 5. USAID should deepen its policy guidance on enhancing partnerships.**

The notion of partnership has become an increasingly important policy concept. The continual forging of these partnerships is an important effort to extend the network of linkages (both horizontally and vertically) and to build the enabling environment for the mutual goals of donors and local organizations. A partnership-type relationship with local organizations is the most promising way to build social capital and enhance sustainable impact. For partnerships to succeed requires a commitment to common goals and shared vision, open communication and adequate

management capacity within the partner organizations.

POVERTY REDUCTION

- 6. USAID should make poverty reduction an explicit goal of a policy to support local organizations.**

The evidence indicates that increased participation and community empowerment, advocacy, and effective local governance enhance the formulation of solutions to household poverty and increase local resource mobilization.

GENDER ISSUES

- 7. USAID should recognize that improving women's status benefits not only women but society at large, in terms of providing wider educational and economic choices that lead to higher incomes (reduced poverty) and healthier families.**

A policy of strengthening local NGOs, which integrates NGO activities with those of local government, enhances local capacity to address poverty and gender inequality issues. USAID (and other donor) programs of support to local organizations should target women and the poor by offering them new opportunities previously unavailable to them, especially opportunities to organize.

- 8. USAID should consider a policy of adopting a "mainstreaming gender" strategic approach such as that announced by the World Bank in January 2002.**

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